

Message Text

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ACTION AF-08

INFO OCT-01 ISO-00 EB-07 H-02 COME-00 TRSE-00 OPIC-03

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FM AMEMBASSY ADDIS ABABA
TO SECSTATE WASHDC PRIORITY 471

LIMITED OFFICIAL USE ADDIS ABABA 9206

E.O. 11652: N/A
TAGS: BGEN ET
SUBJECT: MANDREL INDUSTRIES TAX PROBLEMS

REF: A. 75 ADDIS ABABA 7258, B. ADDIS ABABA 0434, C. STATE 188604

1. AS POINTED OUT REF B, INLAND REVENUE DEPT (IRD), MINISTRY OF FINANCE, DECIDED TO APPEAL TAX APPEAL COMMISSION DECISION REGARDING MANDREL TAX ASSESSMENT. THIS APPEAL LODGED WITH HIGH COURT JANUARY 10

SINCE THAT TIME HIGH COURT HAS BEEN HOLDING HEARINGS ON SUBMISSIONS BY IRD AND MANDREL. NEXT HEARING IS SET FOR SEPTEMBER 17 ACCORDING TO RELIABLE LOCAL SOURCES THE HIGH COURT IS FOLLOWING STANDARD PROCEDURES; IN OTHER WORDS, MANDREL IS GETTING DUE PROCESS UNDER ETHIOPIAN LAW.

2. ON MARCH 12 MANDREL GAVE POWER OF ATTORNEY TO LOCAL ATTORNEY GITAHUN BEGASHAW. ON MARCH 14 POWER OF ATTORNEY PREVIOUSLY ISSUED TO GEORGE GLASSCOE EXPIRED. OVER THE PAST SEVERAL MONTHS AND ESPECIALLY SINCE GLASSCOE'S POWER OF ATTORNEY EXPIRED, BRITISH EMBASSY HAS BEEN MAKING VIGOROUS ATTEMPTS TO OBTAIN EXIT VISA FOR GLASSCOE, INCLUDING PERSONAL REPRESENTATIONS BY THE BRITISH AMBASSADOR TO THE MINISTER OF FOREIGN AFFAIRS AND ACTING MINISTER OF FINANCE. ALTHOUGH THE EPMG HAS NO LEGAL FOUNDATION FOR REFUSING TO ISSUE GLASSCOE AN EXIT VISA, OWING TO HIS CONNECTION WITH MANDREL IT IS ALMOST CERTAIN THAT GLASSCOE WILL NEVER-THE LESS NOT RECEIVE EXIT VISA UNTIL MANDREL TAX ISSUE IS RE-LIMITED OFFICIAL USE

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SOLVED OR ANOTHER EXPATRIATE IS SENT TO ETHIOPIA TO REPLACE

GLASSCOE. TREATMENT OF GLASSCOE IN THIS RESPECT IS NOT UNUSUAL; EMBASSY IS AWARE OF SEVERAL OTHER CASES OF SIMILAR NATURE WHERE EXPATRIATE EMPLOYEES OF FOREIGN FIRMS ARE NOT PERMITTED TO LEAVE COUNTRY UNTIL OUTSTANDING COMPANY TAX OR OTHER PROBLEMS ARE RESOLVED. NEVERTHELESS, BRITISH EMBASSY INTENDS TO CONTINUE TO PURSUE MATTER.

3. AS BEST EMBASSY CAN DETERMINE, IRD HAS NO INTENTION OF NEGOTIATING SETTLEMENT WITH MANDREL IN SPITE OF RATHER CONCILIATORY LETTER SENT BY MANDREL'S ASSOCIATE GENERAL COUNSEL MR. TOM F. CAREY, JR., ON MAY 3, PRIMARILY BECAUSE THE DIFFERENCE OVER THE AMOUNT OF TAX TO BE PAID IS VERY SUBSTANTIAL (APPROXIMATELY US \$750,000). IN ADDITION, CURRENT POLITICAL ENVIRONMENT ENCOURAGES HIGHLY CAUTIOUS BEHAVIOR ON PART OF MINISTRY OF FINANCE OFFICIALS IN CASES OF THIS TYPE.

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